

SECOND REGULAR SESSION

# HOUSE BILL NO. 1510

## 91ST GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE RIZZO.

Read 1<sup>st</sup> time January 17, 2002, and 1000 copies ordered printed.

TED WEDEL, Chief Clerk

3955L.01I

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### AN ACT

To amend chapter 86, RSMo, by adding thereto three new sections relating to police employees' retirement systems.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Chapter 86, RSMo, is amended by adding thereto three new sections, to be  
2 known as sections 86.434, 86.444, and 86.665, to read as follows:

**86.434. 1. Any member entitled to commence a pension pursuant to section 86.433  
2 with twenty-six years or more of creditable service may elect an optional distribution under  
3 the partial lump-sum option plan provided in this section if the member:**

4 **(1) Notifies the retirement system in writing of the member's retirement date at  
5 least ninety days in advance and requests an explanation of the member's rights pursuant  
6 to this section; and**

7 **(2) Notifies the retirement system of the member's election at least thirty days in  
8 advance of the retirement date.**

9

10 **Following the receipt of an initial notice of a member's retirement date and request for an  
11 explanation pursuant to this subsection, the retirement system shall, at least sixty days in  
12 advance of the retirement date, provide the member with a written explanation of the  
13 member's rights pursuant to this section and of the amount by which the member's regular  
14 monthly base pension would be reduced in the event of the member's election of any of the  
15 options available to the member pursuant to this section.**

16 **2. A member entitled to make an election pursuant to this section may elect to  
17 receive a lump-sum distribution with the member's initial monthly pension payment  
18 pursuant to section 86.433, subject to all the terms of this section. The member may elect**

19 the amount of the member's lump-sum distribution from one, but not more than one of the  
20 following options for which the member qualifies:

21 (1) A member with twenty-six or more years of creditable service may elect a lump-  
22 sum amount equal to twelve times the initial monthly base pension the member would  
23 receive if no election were made under this section;

24 (2) A member with twenty-seven or more years of creditable service may elect a  
25 lump-sum amount equal to twenty-four times the initial monthly base pension the member  
26 would receive if no election were made pursuant to this section; or

27 (3) A member with twenty-eight or more years of creditable service may elect a  
28 lump-sum amount equal to thirty-six times the initial monthly base pension the member  
29 would receive if no election were made pursuant to this section.

30 3. When a member makes an election to receive a lump-sum distribution pursuant  
31 to this section, the base pension which the member would have received in the absence of  
32 the election shall be reduced on an actuarially equivalent basis to reflect the payment of  
33 the lump-sum distribution and the reduced base pension shall be the member's base  
34 pension thereafter for all purposes in relation to base pension amounts pursuant to sections  
35 86.370 to 86.497.

36 4. An election pursuant to this section to receive a lump-sum distribution and  
37 reduced monthly base pension shall be void if the member dies before retirement and all  
38 amounts due to a surviving spouse or other beneficiary of the member shall be determined  
39 without regard to the election.

86.444. 1. Any member who retired prior to August 28, 2000, and any member  
2 whose pension is payable pursuant to section 86.450 or 86.457 and who retired after  
3 August 28, 2000, but prior to August 28, 2001, may receive in each year beginning August  
4 29, 2002, in addition to the member's base pension, an equalizing cost-of-living adjustment  
5 not to exceed an aggregate of twenty-five percent of the member's base pension, provided  
6 the retirement system shall remain actuarially sound.

7 2. The equalizing cost-of-living adjustment provided by this section shall be an  
8 increase computed each year on the base pension by the retirement board in an amount,  
9 if any, that the board in its discretion determines to be satisfactory. The cumulative  
10 aggregate amount of equalizing cost of living adjustments pursuant to this section shall not  
11 exceed twenty-five percent of the amount of the member's base pension.

12 3. In determining and granting the equalizing cost-of-living adjustments, the  
13 retirement board shall adopt rules to effectuate this section, including the manner of  
14 computation of the adjustments and their effective dates. The retirement board shall  
15 annually determine the adjustments to be made and the date for granting such

16 adjustments. The board may apply the adjustments in full to members who retired during  
17 the year prior to the adjustments but who have not been retired for one full year and to the  
18 surviving spouse or children of a member who died during the year prior to the  
19 adjustments.

20 4. Equalizing cost-of-living adjustments pursuant to this section shall increase the  
21 base pension of the recipient member, effective with the effective date of each increase  
22 pursuant to this section, for all purposes pursuant to sections 86.370 to 86.497.

23 5. For the purposes of this section, the term "member" shall include a surviving  
24 spouse entitled to pension benefits from this retirement system and any children of the  
25 member who are entitled to receive part or all of the pension which would be received by  
26 a surviving spouse if living. The right to an equalizing cost of living adjustment pursuant  
27 to this section for a surviving spouse or children shall be determined by the retirement date  
28 of the member through whose account the spouse's or children's rights are derived.

29 6. For purposes of this section, the term "base pension", means:

30 (1) For a member who retired prior to August 28, 2000, the member's base pension  
31 as of August 28, 2000; or

32 (2) For a member whose pension is payable pursuant to section 86.450 or 86.457  
33 and who retired after August 28, 2000, but prior to August 28, 2001, the member's base  
34 pension as of August 28, 2001.

35 7. The determination of whether the retirement pension system will remain  
36 actuarially sound shall be made at or before the time any equalizing cost-of-living  
37 adjustment is granted. If at any time the retirement pension system becomes actuarially  
38 unsound, pension payments shall continue as adjusted by the equalizing cost of living  
39 adjustment increases that are granted. A member of the retirement board shall have no  
40 personal liability for granting or declining the increases pursuant to this section if the  
41 member in good faith relied and acted upon advice of a qualified actuary as to the  
42 soundness of the retirement system.

86.665. 1. Any member entitled to commence a pension pursuant to section 86.650  
2 or 86.660 may elect an optional distribution under the partial lump-sum option plan  
3 provided in this section if the member:

4 (1) Notifies the retirement system in writing of the member's retirement date at  
5 least ninety days in advance and requests an explanation of the member's rights pursuant  
6 to this section; and

7 (2) Notifies the retirement system of the member's election hereunder at least thirty  
8 days in advance of the retirement date.

10 Following receipt of an initial notice of a member's retirement date and request for an  
11 explanation pursuant to this section, the retirement system shall, at least sixty days in  
12 advance of the retirement date, provide the member a written explanation of the member's  
13 rights pursuant to this section and of the amount by which the member's regular monthly  
14 base pension would be reduced in the event of the member's election of any of the options  
15 available to the member pursuant to this section.

16       2. A member entitled to make an election pursuant to this section may elect to  
17 receive a lump-sum distribution with the member's initial monthly pension payment  
18 pursuant to section 86.650 or 86.660, subject to all the terms of this section. The member  
19 may elect the amount of the member's lump-sum distribution from one, but not more than  
20 one of the following options for which the member qualifies:

21       (1) A member with one or more years of creditable service after the member's  
22 eligible retirement date may elect a lump-sum amount equal to twelve times the initial  
23 monthly base pension the member would receive if no election were made pursuant to this  
24 section;

25       (2) A member with two or more years of creditable service after the member's  
26 eligible retirement date may elect a lump-sum amount equal to twenty-four times the initial  
27 monthly base pension the member would receive if no election were made pursuant to this  
28 section; or

29       (3) A member with three or more years of creditable service after the member's  
30 eligible retirement date may elect a lump-sum amount equal to thirty-six times the initial  
31 monthly base pension the member would receive if no election were made pursuant to this  
32 section.

33       3. As used in this section, the term "eligible retirement date", means the earliest  
34 date on which the member could elect to retire and be entitled to receive a pension  
35 pursuant to section 86.650 or 86.660

36       4. When a member makes an election to receive a lump-sum distribution pursuant  
37 to this section, the base pension that the member would have received in the absence of an  
38 election shall be reduced on an actuarially equivalent basis to reflect the payment of the  
39 lump-sum distribution and the reduced base pension shall be the member's base pension  
40 thereafter for all purposes relating to base pension amounts pursuant to sections 86.600 to  
41 86.790.

42       5. If a member electing a lump-sum distribution pursuant to this section has elected  
43 the optional annuity described in section 86.650, the calculation of the member's pension  
44 shall be made in the following order:

45       (1) The amount of the member's normal pension pursuant to section 86.650 reduced

46 by any applicable reductions required pursuant to section 86.660;

47       (2) The amount of the member's normal pension determined pursuant to  
48 subdivision (1) of this subsection reduced to the actuarially equivalent amount to produce  
49 the optional form of annuity described in subsection 2 of section 86.650;

50       (3) The amount of reduced pension as determined pursuant to subdivision (2) of  
51 this subsection reduced as required to produce an actuarially equivalent benefit in the  
52 form of the lump-sum distribution option elected pursuant to this section and a remaining  
53 monthly annuity to be paid to the member or paid to the surviving spouse of the member  
54 for the lifetime of the spouse without regard to remarriage on the basis that the annuity for  
55 the member's spouse, if the spouse survives the member, shall be the same amount as the  
56 annuity paid to the member.

57       6. An election pursuant to this section to receive a lump-sum distribution and  
58 reduced monthly base pension is void if the member dies before retirement, and the  
59 amounts due to a surviving spouse or beneficiary of the deceased member shall be  
60 determined without regard to the election.